

Message Text

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C O N F I D E N T I A L PARIS 05184

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TAGS: EAID, EFIN, GW, TU, OECD
SUBJECT: EXPANDED CONSULTATIVE GROUP FOR TURKEY

REF: STATE 34568, BONN 2808, BONN 2988

1. THE STATE DEPARTMENT REPRESENTATIVE TO THE OECD WORKING PARTY THREE MEETING DISCUSSED CURRENT US THINKING ABOUT AN EXPANDED CONSULTATIVE GROUP FOR TURKEY WITH FRG FINANCE MINISTRY ASSISTANT SECRETARY WEBER. WEBER, WHO HAS HAD CONSIDERABLE EXPERIENCE DEALING WITH TURKISH AFFAIRS OVER THE YEARS, HAD A GENERALLY NEGATIVE REACTION TO THE US IDEAS.

2. WEBER MADE THE FOLLOWING SPECIFIC POINTS:

(A) THE FRG IS ADOPTING A CAUTIOUS "WAIT AND SEE" ATTITUDE TOWARD THE CURRENT TURKISH GOVERNMENT. BEFORE GIVING ANY THOUGHT TO PROVIDING ASSISTANCE TO TURKEY, THE FRG WOULD WANT TO SEE EVIDENCE THAT THIS GOVERNMENT IS CAPABLE OF RUNNING TURKEY IN A SENSIBLE AND
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CONSTRUCTIVE FASHION. TO DATE, NO SUCH EVIDENCE EXISTS. (IN SCHMIDT'S VIEW TURKEY MAY BE UNGOVERNABLE.)

(B) THE PROPOSAL OF AN EXPANDED CONSULTATIVE GROUP AT THIS TIME MAY UNDERCUT THE IMF'S POSITION IN ITS NEGOTIATIONS WITH TURKEY.

(C) IF THE TURKISH FINANCIAL SITUATION GETS WORSE BEFORE THE TURKS REACH AN AGREEMENT WITH THE IMF, THE WESTERN COUNTRIES SHOULD SIT BACK AND FORCE TURKEY TO TAKE THE INITIATIVE TO REQUEST A DEBT RESCHEDULING IN THE PARIS CLUB FRAMEWORK.

(D) GIVEN THE TURKISH MENTALITY, IT WOULD BE FAR BETTER TACTICS TO WAIT UNTIL THE TURKS ASK FOR THIS TYPE OF ASSISTANCE. IF THE WESTERN COUNTRIES TAKE THE INITIATIVE TO RAISE THE NOTION OF INCREASED AID FOR TURKEY, THE TURKS WILL HAVE NO INCENTIVE TO MAKE THE NECESSARY TOUGH ECONOMIC DECISIONS.

(E) ANY SUCH PROPOSAL WILL IMMEDIATELY RAISE TURKISH EXPECTATIONS OF LARGE INFLOWS OF FOREIGN AID. THEREFORE, WE SHOULDN'T HINT AT THE PROSPECT OF INCREASED AID UNTIL WE HAVE A CLEAR IDEA OF WHERE SUCH AID WOULD COME FROM.

(F) WE SHOULD BE VERY CAREFUL TO AVOID MIXING THE PROSPECT OF NEW INFLOWS OF MONEY WITH THE NEED FOR DEBT RESCHEDULING. OTHERWISE WE MIGHT GIVE THE APPEARANCE WE ARE BAILING OUT THE PRIVATE BANKS.

(G) THE OECD CONSORTIUM WILL ONLY FOUL THINGS UP.

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(H) TURKEY HAS AN EXTREMELY BAD RECORD IN FOLLOWING NORMAL PROJECT IMPLEMENTATION PROCEDURES.

3. WEBER AGREED THAT THE MAJOR NATO COUNTRIES COULD NOT AFFORD TO SEE TURKEY "GO DOWN THE DRAIN". IN HIS VIEW, HOWEVER, THE MOST WE SHOULD SAY TO THE TURKS AT THIS TIME IS THAT WE RECOGNIZE THAT TURKEY HAS A LONGER TERM PROBLEM AND THAT AFTER TURKEY HAS REACHED AGREEMENT WITH THE IMF, ITS WESTERN ALLIES WILL BE PREPARED TO SIT DOWN WITH THEM AND DISCUSS THEIR LONGER TERM REQUIREMENTS.

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